AR23

Sybron Corporation

Nineteen Seventy-Two Annual Report



Sybron Corporation Nineteen Seventy-Two Annual Report

The cover. We asked artist Jack Matott for his graphic interpretation of Sybron. He chose our "commitment to markets serving people around the world" as the basis for an original color intaglio and its reproduction which appears on the cover.

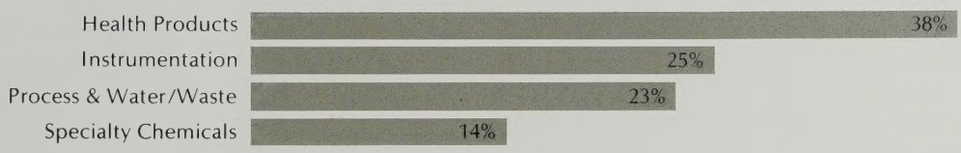
For more information on our markets, products and how Sybron contributes to the quality of life ask for our brochure, Sybron Today.

Financial Highlights

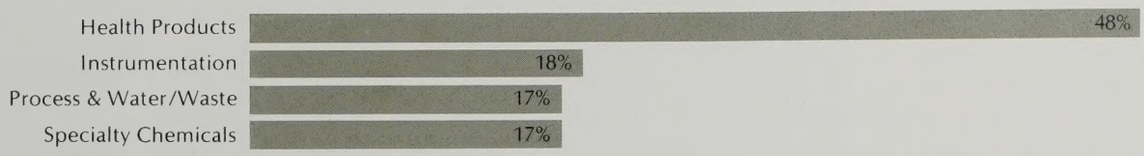
	1972	1971[1]
Operations:		
Net sales	$356,314,000	$326,884,000
Income before taxes	34,916,000	32,065,000
Taxes on income	16,600,000	15,431,000
Equity in net income of associated corporations	1,469,000	954,000
Income from continuing operations	19,785,000	17,588,000
Income from discontinued operations	22,000	599,000
Income before extraordinary items	19,807,000	18,187,000
Extraordinary items	3,508,000	
Net income	23,315,000	18,187,000
Financial position at December 31:		
Current assets	$210,103,000	$201,545,000
Current liabilities	86,347,000	84,975,000
Working capital	123,756,000	116,570,000
Long-term debt	57,460,000	57,339,000
Properties—cost	134,753,000	127,348,000
allowance for depreciation	66,606,000	61,682,000
Shareholders' equity	173,154,000	157,527,000
Per share information:		
Income from continuing operations	$1.65	$1.47
Income from discontinued operations		.05
Income before extraordinary items	1.65	1.52
Extraordinary items	.29	
Net income	1.94	1.52
Book value per common share	14.53	13.05
Number of shareholders	19,350	20,430
Number of shares outstanding at December 31:		
Preferred	1,245,006	1,216,351
Common	10,032,772	10,023,633

[1]See "Consolidation" note in Notes to Financial Statements for restatement.

Net Sales/by lines of business (% of corporate total)



Pre-tax Profits/by lines of business (% of corporate total)



Notes: Net sales and pre-tax profit percentage calculations for 1972 exclude results of discontinued operations.

Pre-tax profit percentages are computed before consideration of the Corporation's equity in net income of associated corporations and before extraordinary items. The percentages are calculated after allocation of general expenses to the several lines of business.

To Our Shareholders:

The year 1972 was a record one for Sybron with earnings from continuing operations 12.5 percent ahead of 1971. Shipments increased 9 percent.

Incoming orders were also at a record level, up more than 12.9 percent from the previous year.

Sales from continuing operations in 1972 were $356,314,000, compared to $326,884,000 in 1971. Income from continuing operations in 1972 was $19,785,000, or $1.65 a share, compared to $17,588,000, or $1.47 a share in 1971. Orders in 1972 were $363,097,000, compared to $321,521,000 a year earlier.

Health Products Help Establish Record Sales and Earnings

Health products stand out in a review of performance in our various businesses. The vigorous growth of our health operations paced a significant turnaround in our overall performance. As a result, we were able to post record earnings and, at the same time, absorb the cost of resolving several problems which had clouded our outlook. By year end, there were also signs of an improvement in the U.S. chemical capital goods market.

Emphasis on Research Continues; Record R&D Funds Budgeted

Our emphasis on internal growth through research and development showed good results with product introductions in all our major markets. We continue to stress the importance of product innovation and have budgeted $16 million for R&D activities in 1973, a record amount.

To give our shareholders a better understanding of our efforts in this important area of activity, we are including in our review of the year a special report on our product development work.

Worldwide Product Organization Helps Marketing Activities

With the establishment of our worldwide product line organization a year ago, many product introductions took on a true international flavor in 1972. Our more than 60 divisions and subsidiaries are now organized within four worldwide product groups, thus facilitating close coordination of various business activities. This coordination has been particularly important in marketing and product development and has permitted a number of simultaneous product introductions around the world.

Selective Acquisitions Add Market Coverage

While we emphasize internal growth, we continue to use acquisitions selectively to improve our market position. During 1972, we expanded our U.S. dental laboratory group and moved into the European market with the acquisition of a major dental laboratory in The Netherlands. We strengthened our chemical penetration in Europe through the acquisition of the remaining 50 percent equity in a jointly-owned European chemical company. We also established a base in the consumer instrument market in Europe with the acquisition of a small barometer manufacturer in Germany.

Overseas Debentures Help Finance International Activities

We continue to give special attention to overseas markets. With that in mind, we undertook in 1972 our first overseas financing by selling $15 million of sinking fund debentures. The funds are being used for acquisition and other programs overseas.

Dental Subsidiary Sold to Close Antitrust Case

One of the major problems resolved during 1972 was a seven-year-old antitrust suit involving our Patterson Dental subsidiary. Resolution of the suit came through the sale of Patterson for $20 million in cash.

During 1972, we also closed an unprofitable hospital equipment division. A number of low-return or unprofitable product lines were also phased out.

Outlook—Renewed Growth Expected

We move into 1973 in a strong position to maintain earnings momentum. A major reason for optimism is the market outlook. We expect our health business—which accounted for 48 percent of earnings in 1972—to continue to grow substantially. We also expect those businesses which follow the economic cycle to improve with the full impact of recovery to be felt later in 1973.

Looking further ahead, we will be watching closely developments in the pollution control field. Over the years, we have tried to be candid about our disappointments in this area. Now it seems timely to clarify the significance of this business to Sybron. In this report, we classify $24 million of our consolidated sales as "water/waste treatment," Actually if we add chemicals, specialized equipment and sales from all our other lines of business related to the pollution abatement field, the figure is more than $50 million. The addition of $29.4 million of water and waste treatment equipment sales by our Japanese affiliate brings the total to more than $80 million. So, we do have an important stake in this market. Although this part of our business does not currently meet our internal profit goals, it is solidly in the black, and we have recently seen a strong trend in demand.

More immediate is the outlook in the international money market, where currently there is uncertainty and turmoil. We are in a solid position overseas to weather the weakness of the U.S. dollar because we have major assets in countries with strong currencies—particularly Germany and Japan. The sale of our Eurodollar bond in 1972 also gave us greater flexibility in our European financing.

We are also in a sound condition to meet the threat of tighter credit. The proceeds from the sale of Patterson strengthened our U.S. balance sheet, and we recently negotiated a bank agreement which assures us access to $20 million of credit at a maximum 6½% rate.

Budget Cuts Should Not Affect Business

There is also much discussion on the impact of the phasing out of Hill-Burton funds for new hospital construction in the United States. We do not expect this to have any immediate impact since orders booked for delivery in 1973 have already been funded. The long term impact should also be minimal. For some time, our long-range plans have projected a decline in hospital construction by 1973 when the supply of hospital beds would equal demand. As a result, much of our product development efforts have been directed to equipment and systems to help offset rising hospital operational costs and for use in the laboratory and industrial markets.

In summary, we feel confident that we are in an excellent position for renewed growth notwithstanding some of the domestic and international uncertainties. We look to another record year in 1973.

For the Board of Directors



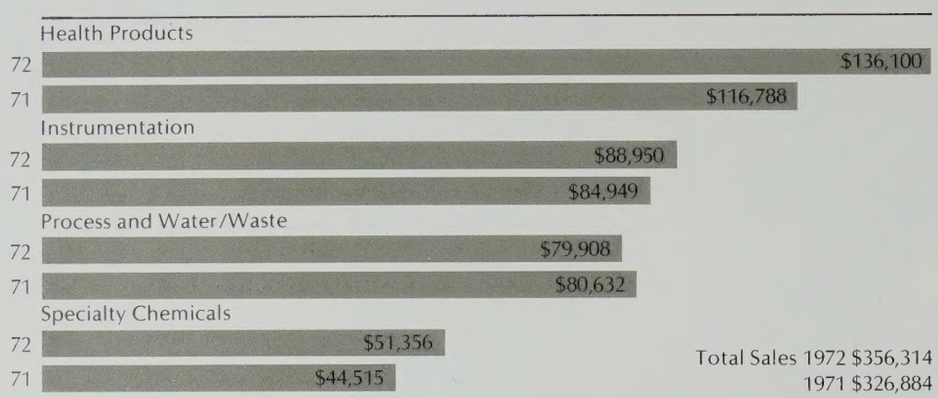


Donald A. Gaudion
Chairman and Chief Executive

William G. vonBerg
President

Review of the Year

Net Sales/by lines of business ($000's)



Total Sales 1972 $356,314
1971 $326,884

Health Products Sold at Record Levels

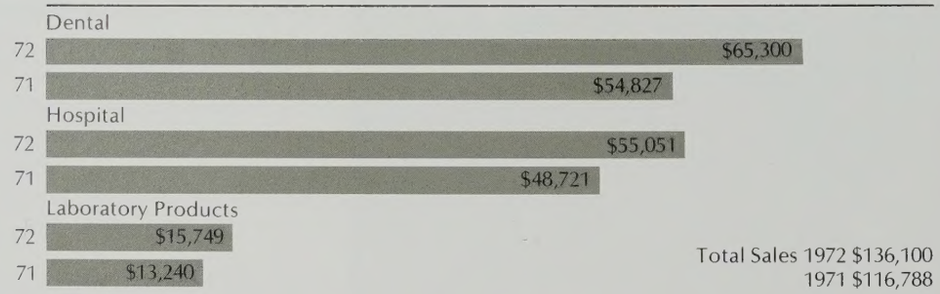
Record sales, earnings and orders in 1972 were paced by demand for our health products with a particularly strong performance in the hospital and medical lines.

Industrial process instrumentation divisions saw a firming of demand in most areas, and a gradual order buildup is expected in 1973. Consumer instruments sold at record levels during the year.

The process equipment divisions faced a mixed business picture. Our U.S. divisions saw a very definite improvement in a market that has been depressed for several years. However, this improvement was offset by a slowdown in purchases by European customers.

Sales of our specialty chemicals were ahead of a year ago although performance was below expectations in the textile and marine lines.

Health Products/Net Sales ($000's)



Total Sales 1972 $136,100
1971 $116,788

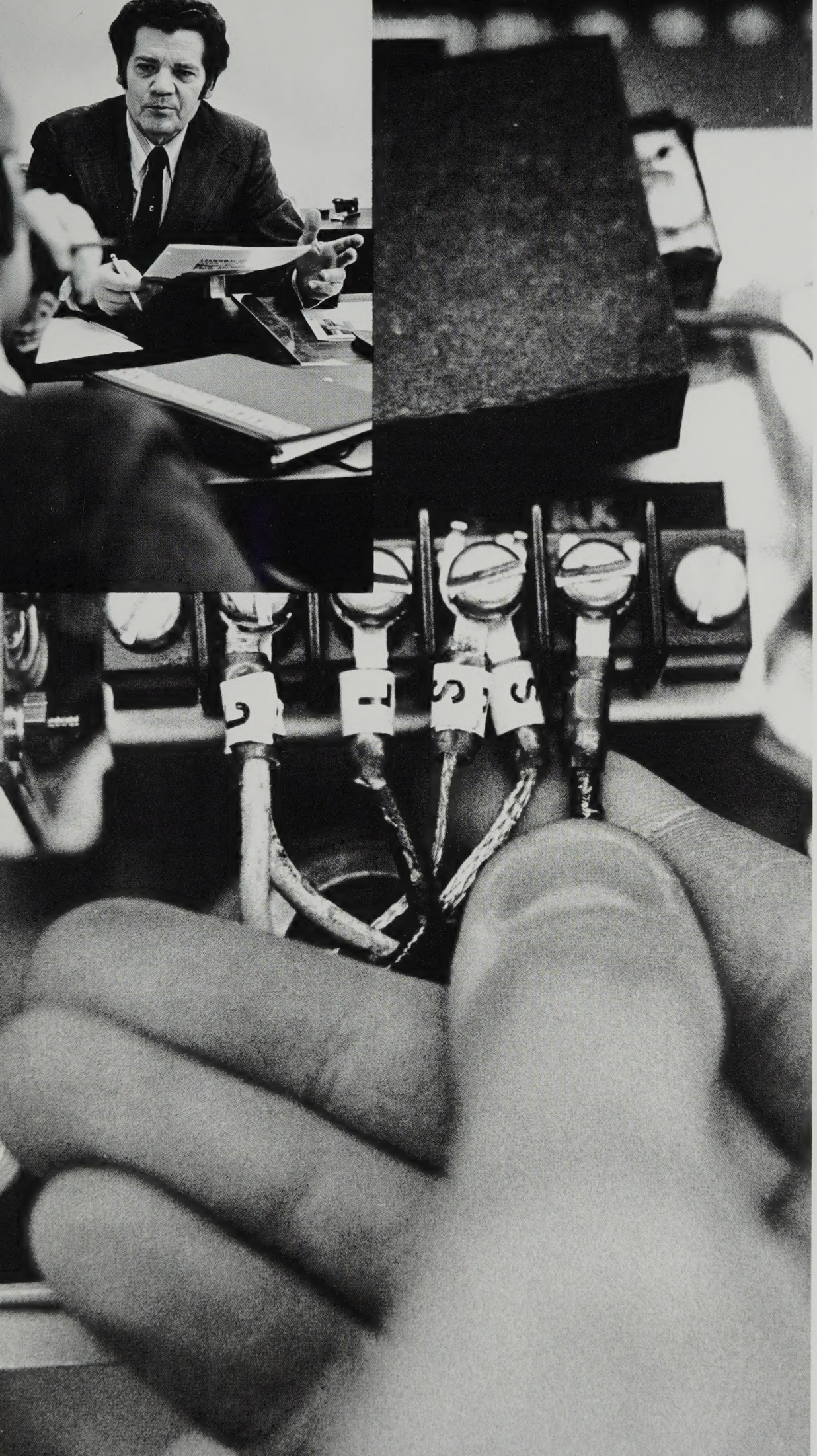
Hospital-Medical Products

Medical Divisions Report Excellent Business in 1972

The strength of the health care market is illustrated most dramatically by 1972 orders for our hospital and medical equipment. Orders for these products were up 20 percent, and shipments increased 13 percent in 1972. Record business was reported by both the Castle division, our largest operation in the field, and Liebel-Flarsheim, which serves the market with specialized X-ray equipment.

We expect the strong demand in this part of our business to continue. Liebel-Flarsheim has invested heavily to upgrade its production capability, spending more on capital equipment in 1972 than in any previous year. Castle continues to emphasize product development with major efforts involving sterilizers, washing equipment and surgical support systems.

In 1972, Castle introduced a low temperature gas sterilization and aeration system for inhalation therapy equipment, a fully automatic



Product Development At Sybron

The role of product research and development at Sybron has taken on major importance in recent years. One indication of this is financial commitment. We are spending record amounts on R&D, a total of more than $53 million in the past five years. The research budget for 1973 is $16 million, up 13 percent from 1972.

To give our shareholders a better understanding of new product activities, we are devoting part of our review of the year section to several specific projects. Although product development for a company like Sybron is much too broad and diverse to cover fully in the space available, we hope this brief report will give shareholders new insight into this important activity.

There are many examples of market and product innovations resulting from interdivisional cooperation. One of the most recent is Leopold's introduction of Taylor's new magnetic flowmeters to the municipal water treatment market.

washer for laboratory and hospital glassware and utensils, and a conveyor system for washing and sterilizing supplies in large hospitals. Also added were center-mounted sterilizers and laboratory autoclaves with new safety features, and a line of consumables including cleaners, sanitizers, disinfectants and packaging material.

Ritter reported excellent results with medical products in 1972 with sales up 25 percent. Ritter's position in the medical field was enhanced by the introduction of two significant new products. One, called Vitron LIDC, uses low intensity direct current to hasten the healing of bedsores. Another product, called Kryostik, is Ritter's first in the field of cryosurgery. Kryostik enables a physician to remove hemorrhoids in the office. In most cases, hospitalization is not required, and the patient can return to work the next day.

Taylor sales to the health market were also excellent in 1972, particularly with the Tycos line of blood pressure instruments.

Installation of Materials-Handling System Under Way

Work was completed in 1972 on the first Cyberail materials-handling system installation. This was at the Cleveland Metropolitan Hospital. Work continues on a large installation at the University of Connecticut Health Center, with completion expected in 1973. A third order for the Cyberail system for installation at Cedars of Lebanon Hospital in Florida was booked in 1972.

There was a major disappointment in the hospital field—the closing of our Hard division. Hard, a manufacturer of patient-room furniture, was acquired in 1967. Despite major efforts since that time, the Hard operation has not been profitable, and a decision to close Hard was announced in May. The closing was completed by year-end.

Dental Products

Dental Business Good in United States and Europe

Improved sales of many dental products reflect the continuing increase in the use of dental services. Business in the United States was given an added boost by the improvement in the general economy. Demand was particularly good for dental sundries; our Kerr division reported record sales and earnings in 1972.

Sales of dental products were excellent also in Europe, helped by a new equipment line introduced by our Ritter operation in Germany and by continuing growth in our Baisch line of dental systems.

Ritter division, our major U.S. dental equipment manufacturer, continued to broaden its product line with several new additions in 1972. These included a high technology ultrasonic scaler called 40K, a new high-speed turbine handpiece called Accutorq, Gemini twin stools and a new Reflex Syringe.

Product Introductions Coordinated in Major World Markets

Our reorganization along worldwide product lines a year ago has had a very positive effect on product development and marketing activities, particularly in the dental field. For example, the close association of our U.S. and European divisions is helping in a smooth introduction of new products from this country into the European market. There has been a substantial increase in products manufactured by our Kerr Europe subsidiary, including instruments, impression materials and other dental sundries.

One important equipment introduction in 1972 was the Ritter 180, a chair-mounted unit with ancillary services. This product was announced simultaneously in all our worldwide markets. The unit complements our higher-priced U.S. equipment line called Sigma,

Product Innovations Improve Health Care Delivery

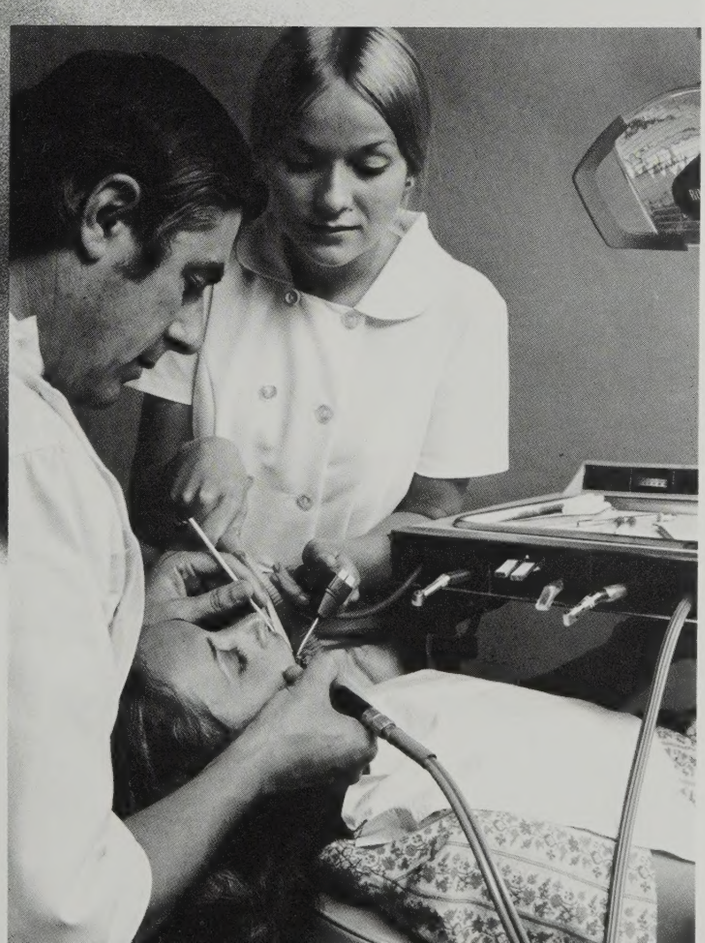
In the health field, our product development activities range all the way from improving traditional equipment to introducing new technologies.

Technological advancement has been particularly evident in the medical area. Liebel-Flarsheim has reached into the electronic field in developing an x-ray device which permits more precise control of radiation exposure. Ritter has participated in several significant developments, including the use of cryosurgery for removing hemorrhoids and low intensity direct current for treating bedsores.

On the dental side, Ritter has concentrated on the development of equipment specifically designed to facilitate the practice of four-handed, sit-down dentistry. New products include special operatory units for both dentist and dental assistant.

Kerr has been successful in the search for new ways to help the dentist. Recent examples are a universal filling material which blends perfectly with the natural tooth coloring and a line of products for preventive dentistry applications.

Castle has emphasized the systems approach in developing surgical support equipment as well as products which increase the efficiency and reduce the cost of materials processing and handling in hospitals.



In serving the needs of four-handed, sit-down dentistry, Ritter has developed a number of new products, including the Ritter 180 unit which brings the instruments within easy reach.

and a European line marketed under the Atrium name. The Ritter 180 should enable our divisions to participate more fully in the low- and medium-price segments of the market.

Dental Laboratories Add Earnings Base

In the last two years, we have created an entirely new health service business with the acquisition of a number of dental laboratories. These laboratories, which supply dentists with appliances such as bridges and dentures, are among the fastest growing and most profitable businesses in the dental field.

We acquired our first dental laboratory in 1970. New laboratories in San Francisco, Los Angeles and Detroit were added in 1972, bringing to nine the number we now operate in major metropolitan areas in the United States. We also established a base in the European dental laboratory market with the acquisition of Amsterdams Tandtechnisch Laboratorium N.V. in The Netherlands.

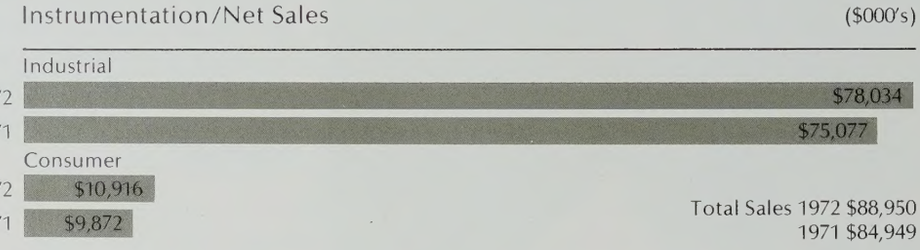
The earnings input from our dental laboratory group is particularly significant in the light of the divestiture of our Patterson Dental subsidiary in 1972. Patterson was sold in May 1972 for $20 million in cash. The sale followed a final judgment by a federal court in August 1971 under which Sybron was required to divest Patterson. The company had been acquired in 1965.

The loss of Patterson was more than offset by the growth of our dental laboratory business. In 1972, earnings from our dental laboratories were greater than those that would have been generated by Patterson if it had continued as part of Sybron.

Laboratory Products

Sales Up in 1972 as Research Activities Increase

All of our divisions which sell a broad line of products to medical, industrial and scientific research laboratories reported an increase in demand in 1972. One reason was the increase in commitment of funds to research projects by the government and industry. There was a particularly strong demand in some specialized markets, especially in education, ecology and bio-medicine.



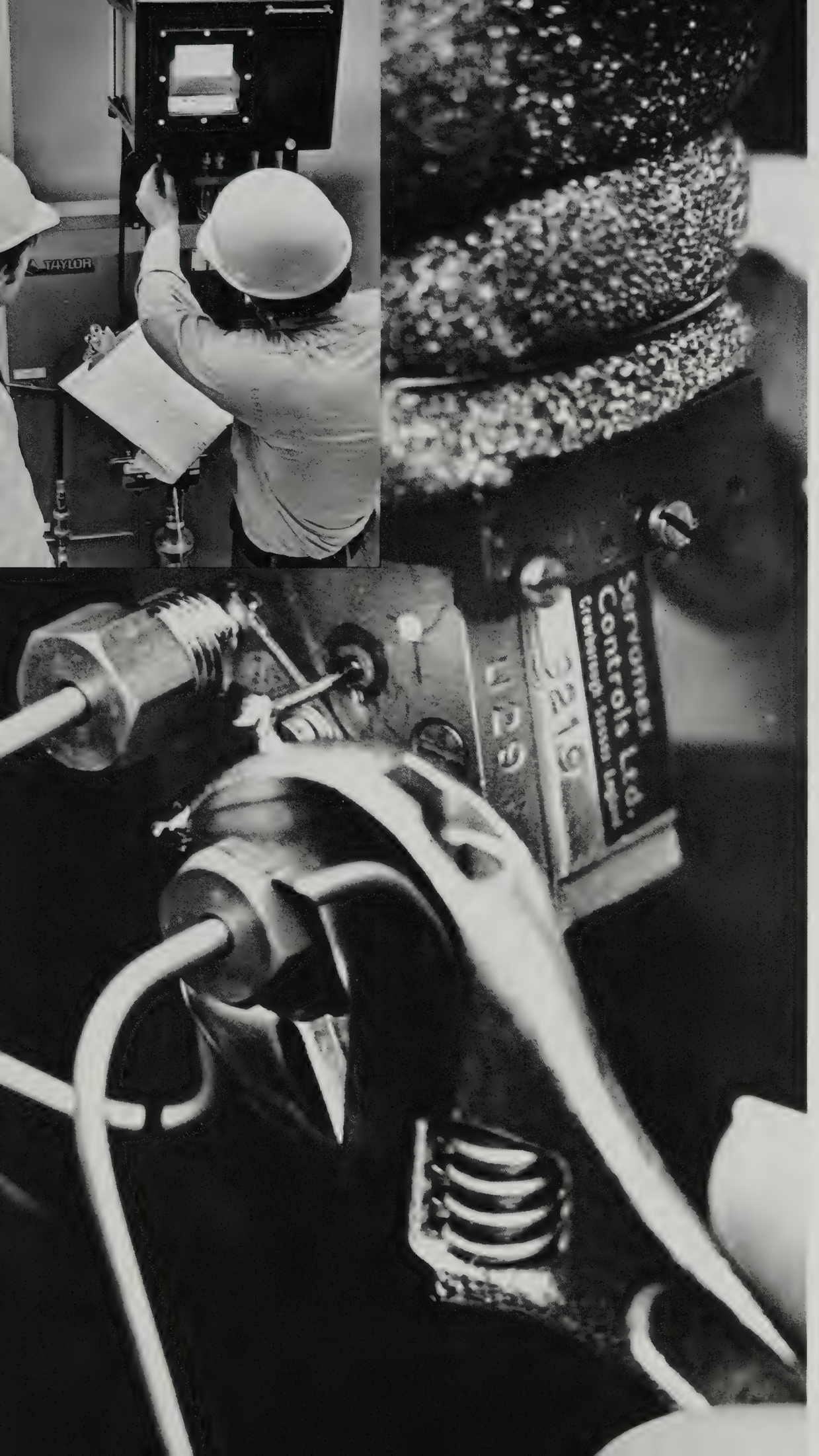
Industrial Instrumentation

Order Buildup Expected in 1973

The successful introduction of several important industrial instrument lines in recent years enabled Taylor to weather depressed market conditions in 1972 and emerge in a relatively strong position. Among recent major introductions which have helped sales were digital computer control systems and electronic instrumentation.

Appropriations by major customers in the United States are on the upswing, and we expect volume to increase in 1973. This should be helped by the continued strength in our electronic, pneumatic and magnetic flowmeter lines and digital computer systems.

In Europe, sales of industrial instrumentation showed a modest increase in 1972. Earnings were up from 1971 when work stoppages affected results. Improved sales were registered in 1972 in the face



New Instruments Provide Push Button Control

In paving the way for fully automated production processes, our Taylor group has dedicated major research and development efforts to electronic and digital control instrumentation. Taylor's commitment has already resulted in the introduction of several major new product lines, including the Quick-Scan® family of electronic panel instruments and the Mag-Pipe® series of flowmeters.

With the introduction of the 1010 series of digital control systems two years ago, Taylor established complete in-house capabilities in this area. Systems are already on stream in the paper and textile industries.

Analytical instrumentation is another area where Taylor has been expanding its product involvement. Activity has been both internal and external. Developed in house was the Aquamike™ series of moisture measuring systems for paper, plastic, textile and other applications. An important line of oxygen analyzers was added through the acquisition of Taylor Servomex Limited in England in 1971. Worldwide marketing opportunities were also expanded with the addition of Servomex.

Servomex oxygen analyzer systems for fast and accurate measurement of gaseous oxygen have a number of applications, including the monitoring of oxidation reactions to assure operating efficiency in chemical plants and refineries.

of very difficult market conditions—a soft demand for capital goods, inflation, general labor unrest and exchange rate uncertainties.

Product introductions helped Taylor sales in Europe. Quick Scan® 1300, a new solid-state, computer-compatible electronic instrument line, has been well received in Europe. Installation at two major oil refineries is under way. Digital systems equipment—introduced in the United States last year—has also been well received with two major European installations committed. One installation is in metal processing, another in the textile field.

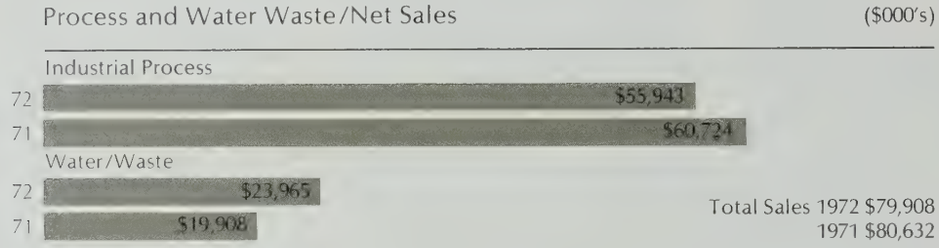
The introduction into Latin America of our oxygen analyzer line and digital computer systems should help increase sales in 1973.

Consumer Instruments

Consumer Product Sales Set Record

Our consumer instrument business was excellent in 1972 with record sales and earnings. The increase in sales—more than 25 percent over the past two years—was primarily due to Taylor's move into new distribution channels including mass merchants, variety stores, catalog houses and supermarkets. Plans are under way for a plant expansion at Taylor's plant near Asheville, North Carolina.

Coverage of the European consumer market was strengthened in 1972 with the acquisition of MOCO Barometer Company, Hamburg, Germany. This small instrument house provides us with a high quality line for the important European weather instrument market.



Industrial Equipment

Orders from U.S. Customers Improve

Increased purchases by our major process equipment customers in the United States boosted our Pfaudler division orders substantially. However, the long production cycles which are normal for heavy capital equipment kept shipments well below order level increases.

There was an increased demand for Pfaudler's specialized waste treatment systems. This is not a new product line for Pfaudler but sales were relatively light until recent years as pressure to eliminate sources of industrial pollution increased. Sales of Pfaudler systems for the treatment of metal finishing waste were more than $1.2 million in 1972 compared to $500,000 in each of 1970 and 1971.

Market in Europe and Far East Is Soft

While sales of process equipment are moving ahead in the United States, demand in Europe and the Far East is off. In Germany, demand was weak throughout most of 1972. Orders were well below the 1969 peak although there were signs of a recovery at year end. An excellent backlog at the beginning of 1972 enabled our German plant to maintain good shipment levels through most of the year, but the low order level did affect margins in the closing months.

In Great Britain, many of the same market conditions prevailed. Serious cost inflation started in 1971 and continued in 1972. Capital investment by chemical customers slowed. More stable market conditions are expected in 1973 with an increase in capital spending.



Product Innovations Meet Rapid Changes in Market

Internal product development receives major emphasis in our textile chemical divisions. Rapid completion of product development projects is vital. In some cases, new chemicals often move from concept to final marketing in a matter of months. Being attuned to market needs is also vital. New product development is rapid as evidenced in the fact that more than 40 percent of our textile chemical sales in any one year come from products developed in the prior four years.

Tanatex, our major textile chemical division, has earned a reputation as a product originator in this highly specialized market. One of the keys to that reputation is Tanatex's careful management of research and development programs through a unique project system. The emphasis is on positive, profitable results—in fact, research work is funded on the basis of profits produced by earlier product innovations. The system also provides for maximum input from other areas, particularly marketing, manufacturing and customers. As a result, Tanatex has been able to maintain product leadership as new textile fibers and blends, dyeing processes and applications are introduced to the market.

Brighter colors . . . improved crease resistance . . . less snags . . . these are some of the ways consumers benefit from our textile chemicals

Waste Treatment Sales Are Strong in Japan

In the Far East, the business pattern of recent years continued with waste treatment equipment sales offsetting reduced demand for process equipment. However, our Japanese affiliate has budgeted increases in most product lines. Capital goods business should improve, and the pollution control market should remain strong.

The emphasis on pollution abatement is having an effect on our business in other areas of the world. In Brazil, for example, our subsidiary has penetrated the municipal water treatment field and is working with our U.S. water and waste treatment equipment operations to introduce new lines into this important market.

Water/Waste Treatment

Permutit Reverse Osmosis Equipment Sales Increase

In the United States, water and waste treatment equipment sales were excellent with all our divisions reporting increases. Incoming orders were up almost 20 percent, reflecting, to a great extent, the new emphasis on pollution abatement. The resurgence in the economy and improved capital spending also helped demand.

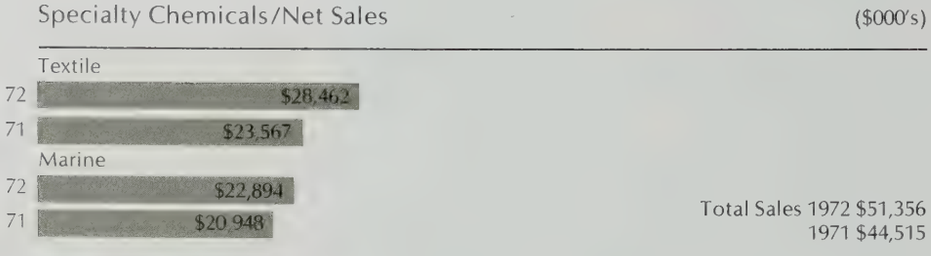
Products introduced within the last two years added significantly to our Permutit division's volume. Among the more important products is equipment using reverse osmosis to treat brackish water. Sales of RO products showed a dramatic increase from 1971 to 1972. In the waste treatment area, sludge dewatering and flotation equipment sales increased.

There was also a high level of activity in central power generating plant construction—a prime Permutit market for water treatment systems. Strong demand is expected to continue for three-five years.

Over the years, our Leopold division has grown primarily through municipal water treatment sales. Both sales growth and profit return have been excellent. Leopold has also moved aggressively into the waste water market in recent years. In 1972, for the first time, Leopold booked more orders for waste water equipment than for water treatment. The increase in waste water equipment sales is expected to continue.

Divisions Join in Development Program

Also expected to boost sales in the pollution control field is a joint development program, combining Leopold's strong position in the water treatment field and Taylor's instrumentation expertise. The first result of this program—an electronic measuring and recording device—was introduced at the 1972 National Water Pollution Control Federation Exhibition. Other products are under development.

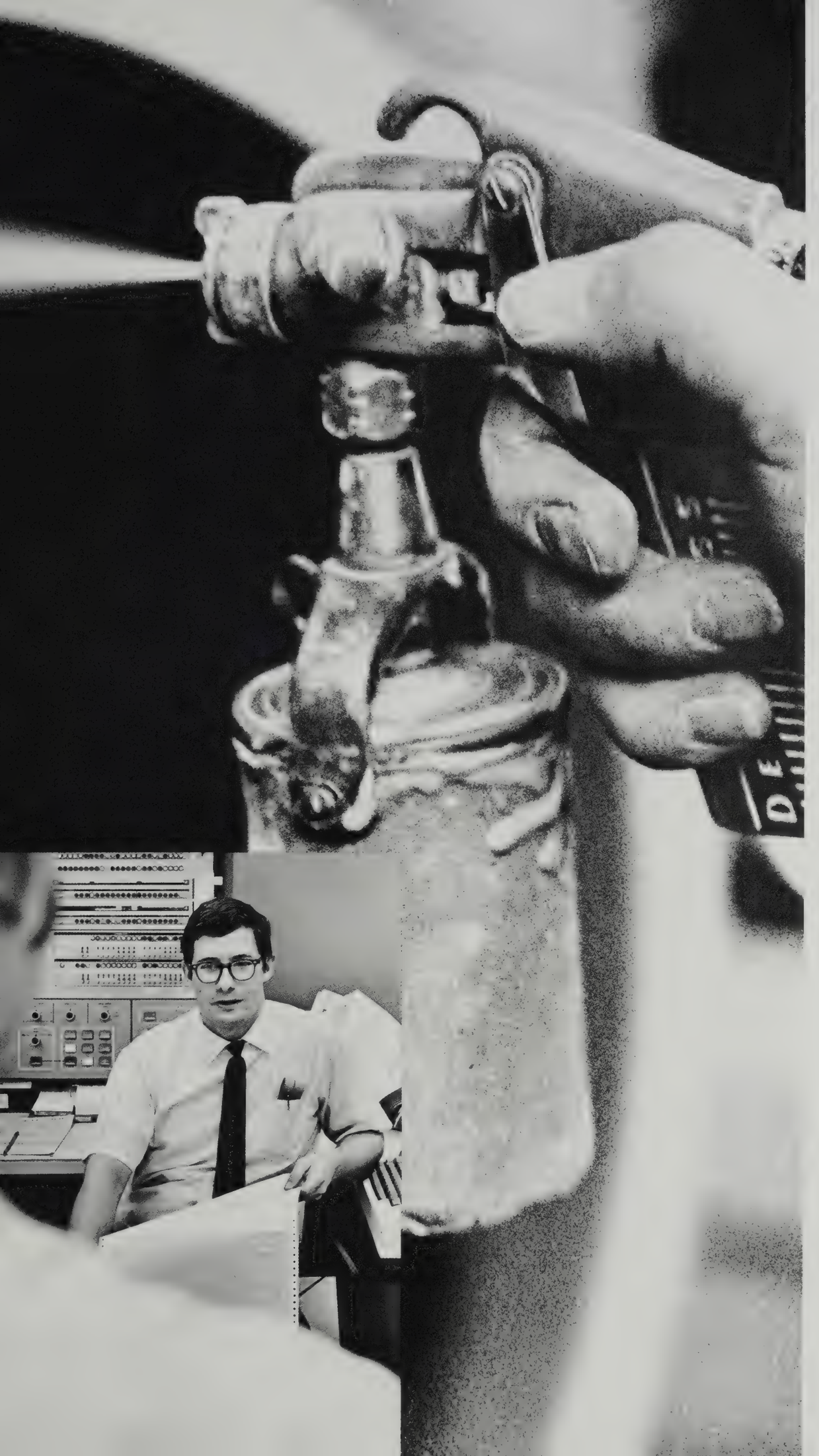


Textile Chemicals

Volume Up in Most Chemical Lines

Volume in our specialty chemicals was up in 1972, but margins were under pressure in some of the textile and marine chemicals.

A turnaround in the textile field did not materialize as rapidly as many industry experts anticipated. As a result sales growth for the



Glasteel—Undergoing Continuous Change

Materials research is an ongoing activity at our Pfaudler operations. Much of this is directed at Glasteel™—a basic material of construction introduced by Pfaudler more than 80 years ago. It's used to manufacture reaction vessels, storage tanks and many other types of equipment used to process chemicals, pharmaceuticals, plastics and similar products which pose severe corrosion, product purity and adherence problems. Research is aimed at upgrading Glasteel—dramatic developments are not the rule. A new glass formulation may require as much as four years of experimentation and 500 individual corrosive tests. In recent years, the computer has been used to aid in product development work. With the computer, basic mathematical models have been developed to study such variables as corrosion resistance, viscosity characteristics and thermal expansion of glass compositions.

Computer testing has resulted in a number of improvements in formulations of glass which is sprayed on metal surfaces and bonded by heat. Corrosion resistance has been increased and processing and handling properties improved.

year was not as great as anticipated. There was improvement in late 1972, and we look for continued improvement in 1973.

Marine/Industrial Chemicals

Marine Chemical Business Is Affected by Strikes

Chemical business by our worldwide Gamlen organization was under pressure during the year. Generally poor marine and industrial market conditions prevailed, aggravated by a series of maritime strikes in major ports. Demand has improved in recent months.

Gamlen has seen a rapid change in several markets over the past few years. Many chemical cleaning compounds which have been used for years no longer meet the new and stricter pollution standards. Gamlen anticipated these new pressures, and research efforts are structured to meet the new market demands.

Gamlen Introduces New Products

In 1972, major additions to the Gamlen chemical line included a new fuel additive to reduce stack emissions, a coagulant aid for industrial and municipal water and waste treatment plants and an oil-water separating agent. This last product, a non-dispersing, non-emulsifying chemical called Cleanbreak, has passed a rigid Japanese pollution control test for use in tanker-cleaning operations in harbor waters. It also has excellent potential as a treatment for oil spills where use of chemical dispersant-emulsifiers is prohibited.

Our Ionac Chemical division, which sells to the industrial market, had an excellent year with a substantial boost in both volume and earnings. The performance is a direct result of recent product development and marketing programs aimed at broadening the entire base of Ionac's business. Ionac, which has been a leader in ion exchange resins for water treatment, now sells chemicals for use in plastics, coatings, adhesives and textiles.

Corporate Contributions Total $500,000 in 1972

During 1972, the corporation provided financial assistance through the Sybron Community Fund to more than 150 institutions. Included were colleges and universities and United Funds in communities where we have major installations.

For many years, our policy has been to contribute approximately 2 percent of U.S. pre-tax earnings for educational, charitable and cultural purposes. In 1972, this amounted to approximately $500,000.

Corporate Officer and New Director Named

Two significant appointments were announced in 1972. In July, Peter J. Scott was named group vice president-chemical, succeeding Robert VanIderstine, a long-time company officer who is retiring. Mr. Scott had been group executive-textiles for two years and president of the Tanatex division, a company he formed in 1947. Tanatex was acquired by Sybron in 1968.

Mr. VanIderstine joined The Pfaudler Co., a Sybron division, in 1941 and held a number of positions with Pfaudler and other Sybron divisions before being named group vice president in 1967. Under his leadership, chemical sales have grown from about $5 million in 1965 to more than $50 million last year.

A new director was elected in August. He is Robert L. Sproull, president of the University of Rochester. His election brings the number of Sybron directors to 14. Dr. Sproull, who was named president of the University in 1970 after two years as vice president and provost, was associated with Cornell University from 1946 to 1968 in a number of faculty and administrative positions.



Licensing—Source For New Products

Sybron has extended coverage of all major markets by applying engineering and marketing know-how to new product concepts acquired through licensing.

One example in the medical field is Ritter's new Vitron LIDC which uses low intensity direct current to increase the healing rate of bedsores. Ritter acquired the license to develop and market the product after more than six years of research carried out by the Department of Physical Medicine and Rehabilitation at the University of Missouri Medical Center.

Another important example is in the water treatment field. Permutit's PermuRO reverse osmosis systems for treating high-solid content or brackish water use hollow, hair-sized fibers developed by DuPont. Water to be treated is forced through the fiber walls under high pressure, leaving dissolved minerals and other impurities to be carried away in the waste stream.

Since reaching an agreement with DuPont two years ago, Permutit has manufactured reverse osmosis systems for many industrial and municipal customers. One of the most recent installations is a 500,000-gallon-per-day plant which produces high quality drinking water for a coastal community in Florida. Permutit has also successfully introduced PermuRO systems in major overseas areas, including Japan, South America and Germany.

By using reverse osmosis, high-quality drinking water can be produced from previously unusable brackish—salty, distasteful—water.

Financial Review

The year 1972 produced a number of significant events for the Corporation. Records in sales, earnings and orders were reached and the Corporation strengthened its overall financial position. A fuller discussion of these events follows.

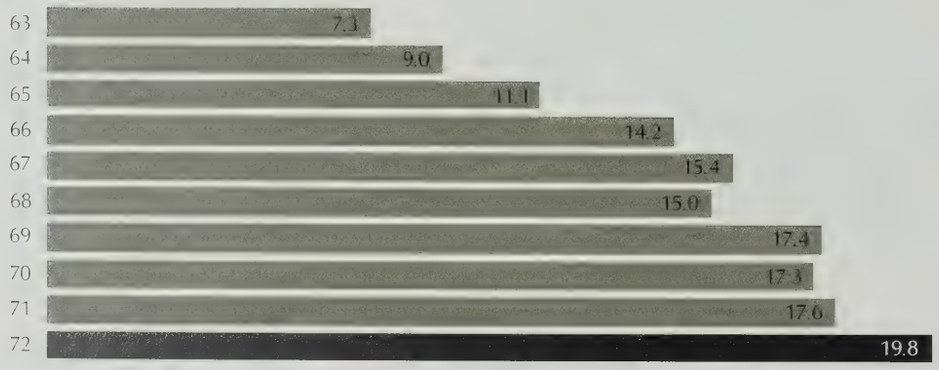
Earnings

Income from continuing operations totaled $19,785,000, or $1.65 per share, in 1972, up from $17,588,000, or $1.47 per share, in 1971. Income from discontinued operations of $22,000 in 1972 and $599,000 in 1971 covers the operations of Patterson Dental Co., which was sold, and of the Hard division, which was discontinued, during 1972. These discontinued operations contributed $.05 per share to 1971 income. Income before extraordinary items, therefore, totaled $19,807,000, or $1.65 per share, in 1972, compared to $18,187,000, or $1.52 per share, in 1971.

For comparative purposes the results of operations for 1971 have been restated to reflect the discontinued operations separately, to include the operations of four companies acquired in 1972 on a "pooling of interests" basis, and to include the Corporation's equity in the undistributed net income of a 45 percent owned Japanese affiliate.

Per share amounts are based on an average of 12,005,420 and 11,930,692 common and common equivalent shares, for 1972 and 1971, respectively. If all convertible debentures were converted into stock and all outstanding options were exercised, fully diluted net income would be $.02 less in 1972 and $.01 less in 1971.

Income/from continuing operations ($ Millions)



Extraordinary Items

The required divestiture of Patterson Dental Co. was completed by sale in 1972, and resulted in an extraordinary gain of $6,518,000 after taxes, or $.54 per share. The discontinuance of the Hard division resulted in an extraordinary charge of $3,010,000, or $.25 per share. The extraordinary items resulted in a net gain of $3,508,000, or $.29 per share, and brought total net income for 1972 to $23,315,000, or $1.94 per share.

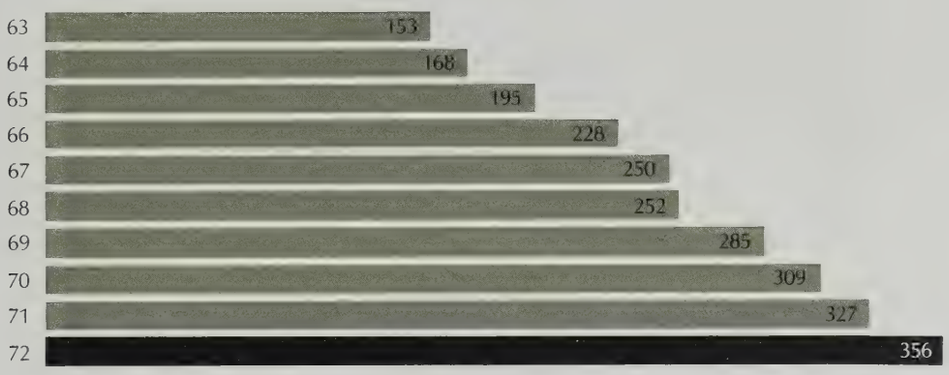
Sales

Consolidated net sales of continuing operations in 1972 amounted to $356,314,000. This compares to $326,884,000 on a restated basis for 1971. Sales by units in the United States were $244,302,000 in

1972 compared to $233,194,000 in 1971. Sales by units outside the United States were $112,012,000 in 1972 compared to $93,690,000 in 1971.

The sales of our 50 percent owned companies and of our 45 percent owned affiliate in Japan, Shinko-Pfaudler Company, Ltd. were $52,373,000 in 1972 and $50,322,000 in 1971 and are not included in the consolidated sales totals. Our equity in the net income of these companies is shown separately in the income statement. On a worldwide basis, total sales, including those of our affiliated companies, were $408,687,000 in 1972 and $377,206,000 in 1971.

Net Sales/from continuing operations ($ Millions)



Orders

Incoming orders in 1972 were $363,097,000, compared to $321,521,000 in 1971. The backlog of unfilled orders increased to $77,337,000 at the end of 1972, compared to $74,327,000 at the end of 1971.

Health Product Sales

Health products, the largest of our four major lines of business, accounted for 38 percent of our consolidated sales total in 1972, compared to 36 percent in 1971. Total sales of health products reached $136,100,000 in 1972, compared to the restated total for 1971 of $116,788,000.

Included in these totals are dental equipment and supplies of $65,300,000 in 1972 and $54,827,000 in 1971.

Medical sales increased substantially to $55,051,000 in 1972 from $48,721,000 in 1971. Sales of laboratory products were $15,749,000 in 1972, up from $13,240,000 in the preceding year.

Instrumentation Sales

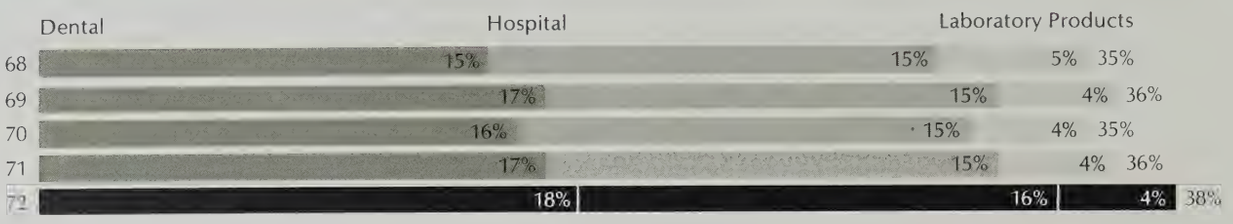
Our second largest market is instrumentation, including industrial and consumer. Sales reached $88,950,000 in 1972, up from $84,949,000 in 1971. Instrumentation sales accounted for 25 percent of our total in 1972 and 26 percent in 1971. Sales of industrial process instrumentation represent the major segment in this group and totaled $78,034,000 in 1972 and $75,077,000 in 1971. Sales of consumer instruments account for the balance of instrumentation sales and increased to $10,916,000 in 1972 from $9,872,000 in 1971.

Process Equipment Sales

Industrial equipment sales of $55,943,000 and water/waste treatment equipment sales of $23,965,000 make up the total process equipment

Net Sales/% of corporate total*

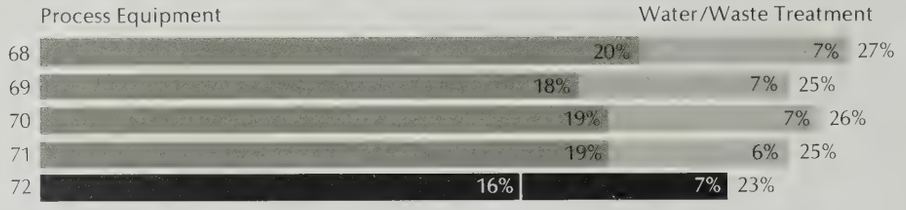
Health Products



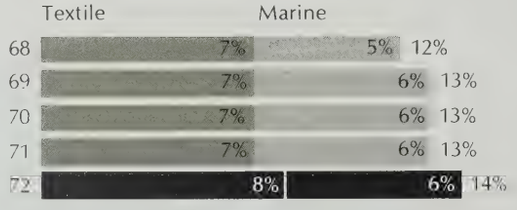
Instrumentation



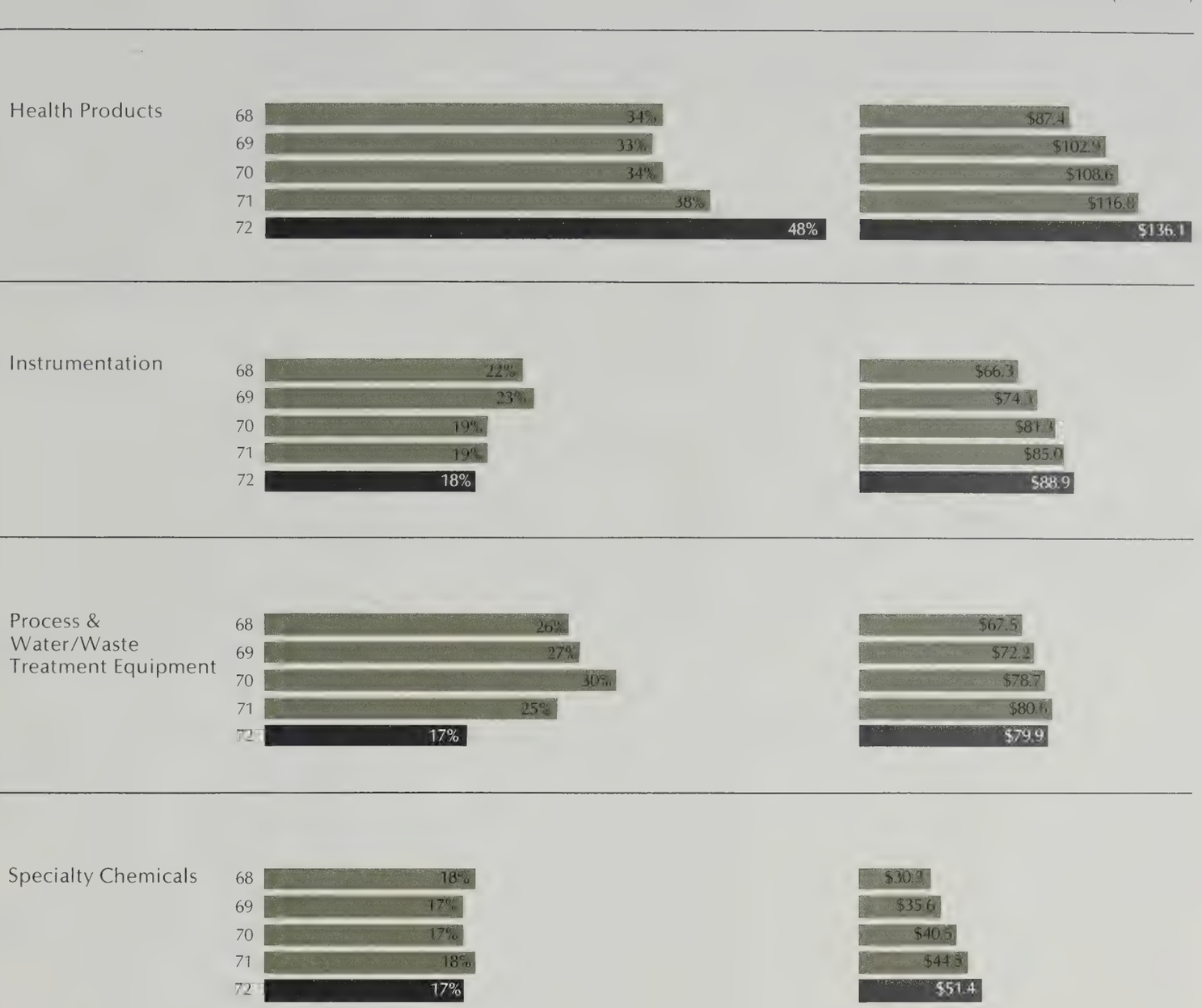
Process & Water/Waste Treatment Equipment



Specialty Chemicals



Sales (000's)	1972	1971	1970	1969	1968
Sales from all operations:					
United States	$244,302	$233,194	$219,912	$215,985	$192,794
Operations outside United States (consolidated)	112,012	93,690	89,167	69,015	58,712
Affiliates outside United States (not consolidated)	52,373	50,322	47,967	39,936	34,856
Total sales of operations outside United States	164,385	144,012	137,134	108,951	93,568
Total worldwide sales	$408,687	$377,206	$357,046	$324,936	$286,362



*Net sales and pre-tax profit percentage calculations exclude results of discontinued operations.

Pre-tax profit percentages are computed before consideration of the Corporation's equity in net income of associated corporations and before extraordinary items. The percentages are calculated after allocation of general expenses to the several lines of business.

sales of $79,908,000 in 1972, and represent 23 percent of total sales. In 1971 industrial equipment sales were $60,724,000 and water/waste treatment sales $19,908,000 for a total of $80,632,000. This was 25 percent of total corporate sales. Although sales of industrial equipment were down in 1972, orders received increased from $46,544,000 in 1971 to $57,102,000 in 1972.

Chemical Sales

Our specialty chemical business contributed $51,356,000, or 14 percent, to the consolidated sales total in 1972. This compares to $44,515,000, or 13 percent, in 1971.

Sales of chemicals to the textile industry were $28,462,000 in 1972, compared to $23,567,000 in 1971. Sales of fuel additives and water treatment chemicals for marine and industrial applications were $22,894,000 in 1972, compared to $20,948,000 in 1971.

Pre-tax Income by Major Businesses

The four major lines of business described above generate the Corporation's pre-tax income before equity in the net income of associated corporations. Health products accounted for 48 percent of this income in 1972 and 38 percent in 1971; instrumentation for 18 percent in 1972 and 19 percent in 1971; process equipment for 17 percent in 1972 and 25 percent in 1971; chemical products for 17 percent in 1972 and 18 percent in 1971.

International Operations

Consolidated net income before extraordinary items includes $10,269,000 in 1972 and $8,201,000 in 1971 applicable to operations located outside the United States. Sales of these units were $112,012,000 in 1972 and $93,690,000 in 1971.

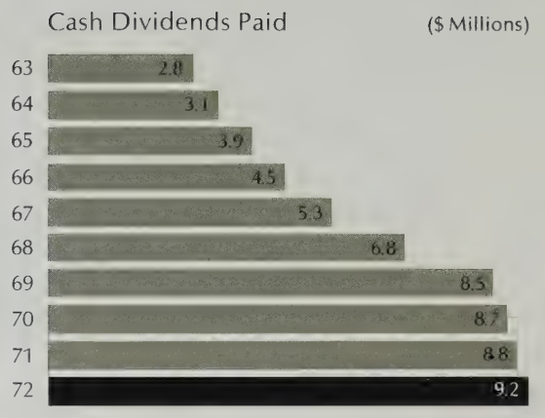
The Corporation's equity in the net income of its associated corporations is included in the net income of operations located outside the United States. In this category are our 50 percent interests in several Tanatex operations, Taylor Instrument Company (India) Ltd., and, for the first time, our equity in the net income of our 45 percent owned affiliate, Shinko-Pfaudler Company, Ltd., in compliance with Accounting Principles Board requirements. Results of operations for prior years have been restated to include our equity in the undistributed net income of Shinko-Pfaudler as follows: 1971—$515,000; 1970—$1,488,000; 1969—$1,151,000; and 1968—$692,000. Prior to this change only license fees and dividends from Shinko-Pfaudler were recorded in the earnings of the Corporation. Our total equity in the net income of Shinko-Pfaudler, based on its year ended September 30, and including dividends received, amounted to $1,261,000 in 1972 and $706,000 in 1971.

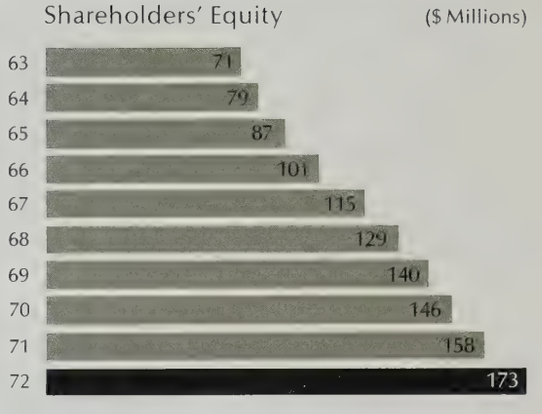
Sales of Shinko-Pfaudler were $47,575,000 for the twelve months ended September 30, 1972, compared to $42,617,000 in the prior year.

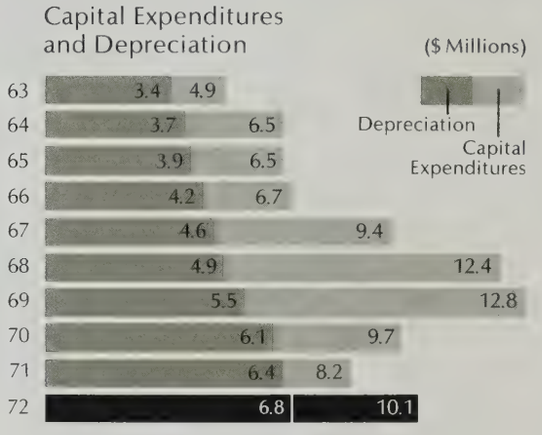
Sales/by lines of business ($000's)

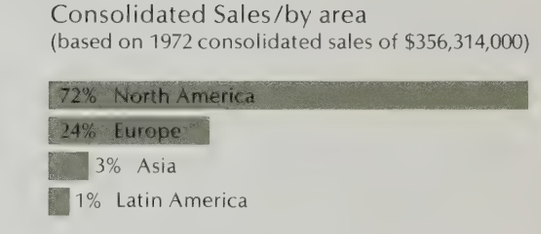
Shinko-Pfaudler Company, Ltd.	1972		1971	
Water/Waste Treatment	$29,410	62%	$21,698	51%
Process Equipment	18,165	38%	20,919	49%
	$47,575		$42,617	

Total net assets of operations located outside the United States were $66,089,000 at December 31, 1972 and $51,970,000 at December 31, 1971.









The Corporation has established a reserve against possible future currency exchange fluctuations. At December 31, 1972, $700,000 was reserved for this purpose. Because of our foreign currency asset position there will be no adverse translation effects from the devaluation of the U.S. dollar and other foreign currency fluctuations which occurred early in 1973.

Acquisitions

During 1972, four U.S. companies in the dental laboratory field were acquired on a "pooling of interests" basis for 138,434 shares of common stock. The Corporation also acquired, for a total of $4,720,000, three European companies and the remainder of Tanatex Chemical (Holland) N.V., previously 50 percent owned.

Financial Position

In 1972 Sybron Overseas Capital, N.V., a wholly owned subsidiary of the Corporation, sold $15,000,000 of 8% Sinking Fund Debentures due March 1, 1987. The proceeds are being used to finance acquisition and plant expansion programs overseas.

Domestic bank debt was substantially reduced during 1972 and the Corporation invested funds in short-term marketable securities. These actions were due in part to the application of the proceeds of $20,000,000 received from the sale of Patterson Dental Co. Two domestic credit agreements were cancelled during this year and the outstanding loans paid off.

Subsequent to the year end the Corporation entered into a credit agreement with a domestic bank providing for credit availability of $20,000,000 on a revolving credit basis for five years, converting to a term loan payable over the following five years. Interest is fixed at 6½% for the first seven years, and at ½% over prime for the last three years. Payments over the last five years are due quarterly in equal amounts. A commitment fee of ½% is payable on the unused credit amount during the first five years of the ten year term.

Working capital increased by $7,186,000 to a total of $123,756,000 at the end of 1972. The ratio of current assets to current liabilities was steady at 2.4 to 1 at the end of 1972 and 1971.

Capital expenditures for 1972 amounted to $10,107,000, compared to $8,154,000 in 1971 excluding the capital assets of companies acquired during the year. Depreciation charges absorbed against income were $6,799,000 in 1972 and $6,394,000 in 1971.

Shareholders' equity at December 31, 1972 totaled $173,154,000, compared to $157,527,000 at the prior year end. This represents a book value per common share of $14.53 at the end of 1972 compared to $13.05 at the end of 1971.

Convertible bonds totaling $260,000 at par value were converted into 2,449 preferred shares and 6,132 common shares during 1972. Proceeds totaling $1,240,000 were received by the Corporation from the exercise of stock options covering 26,206 preferred shares and 3,007 common shares.

Dividends

Regular quarterly dividends of $.60 per share were paid in 1972 on preferred stock. Total for the year was $2,971,000. Regular quarterly dividends on common stock were $.15 for the first two quarters and $.16 for the last two quarters of 1972, or a total of $.62 per share. Total common stock dividends paid in 1972 were $6,206,000.

Statement of Income

Sybron Corporation and Subsidiaries

Year Ended December 31,	1972	1971
Sales and other revenue:		
Net sales	$356,314,000	$326,884,000
Interest and finance charges	918,000	508,000
Miscellaneous income (net)	1,695,000	1,572,000
Total Revenues	358,927,000	328,964,000
Costs and expenses:		
Cost of goods sold	220,793,000	201,875,000
Selling, administrative, research and development expenses	97,888,000	89,201,000
Interest expense	5,330,000	5,823,000
Total Costs and Expenses	324,011,000	296,899,000
Income before taxes	34,916,000	32,065,000
Taxes on income	16,600,000	15,431,000
Income before equity in net income of associated corporations	18,316,000	16,634,000
Equity in net income of associated corporations	1,469,000	954,000
Income from continuing operations	19,785,000	17,588,000
Income from discontinued operations	22,000	599,000
Income before extraordinary items	19,807,000	18,187,000
Extraordinary items	3,508,000	
Net income	$ 23,315,000	$ 18,187,000
Income per share (see Note):		
Continuing operations	$1.65	$1.47
Discontinued operations		.05
Income before extraordinary items	1.65	1.52
Extraordinary items	.29	
Net income	$1.94	$1.52

Note: Income per share amounts are computed on the basis of average common and common equivalent shares outstanding (including the average number of common shares that would be outstanding if the convertible preferred stock issued and outstanding were converted into common shares).

The information on pages 26 through 30 is an integral part of these financial statements.

Statement of Financial Position

Sybron Corporation and Subsidiaries

December 31,	1972	1971
Assets		
Current assets:		
Cash	$ 10,259,000	$ 14,143,000
Marketable securities (approximates market)	9,893,000	
Accounts, notes and installment receivables net of deferred income and allowance for doubtful accounts	80,477,000	78,087,000
Inventories	101,779,000	103,394,000
Prepaid expenses and other current assets	5,582,000	5,479,000
Accumulated income tax benefits	2,113,000	442,000
Total Current Assets	210,103,000	201,545,000
Investments and other non-current assets:		
Investments in associated corporations	8,545,000	7,612,000
Cost in excess of underlying net asset value of acquired companies	33,485,000	31,279,000
Other non-current assets	5,126,000	2,244,000
Property, plant and equipment, at cost, less allowance for depreciation: 1972—$66,606,000; 1971—$61,682,000	68,147,000	65,666,000
Total Assets	$325,406,000	$308,346,000
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	$ 19,632,000	$ 27,241,000
Accounts payable	19,178,000	17,320,000
Preferred stock dividend payable	747,000	729,000
Accrued expenses	32,034,000	26,705,000
Customer advances	3,201,000	3,959,000
Estimated taxes on income	11,555,000	9,021,000
Total Current Liabilities	86,347,000	84,975,000
Long-term debt	57,460,000	57,339,000
Other non-current liabilities	8,445,000	8,505,000
Total Liabilities	152,252,000	150,819,000
Shareholders' equity:		
Preferred stock, $4.00 par value—authorized 1,835,754 shares, outstanding 1972—1,245,006 shares; 1971—1,216,351 shares (involuntary liquidation value 1972—$27,390,000, 1971—$26,760,000)	4,980,000	4,865,000
Common stock, $2.50 par value—authorized 20,000,000 shares, outstanding 1972—10,032,772 shares; 1971—10,023,633 shares	25,082,000	25,059,000
Additional paid-in capital	13,733,000	12,371,000
Retained earnings	129,359,000	115,232,000
Total Shareholders' Equity	173,154,000	157,527,000
Total Liabilities and Shareholders' Equity	$325,406,000	$308,346,000

The information on pages 26 through 30 is an integral part of these financial statements.

Statement of Retained Earnings

Sybron Corporation and Subsidiaries

Year Ended December 31,	1972	1971
Balance at beginning of year:		
As previously reported		$101,152,000
Retained earnings of companies acquired on a "pooling of interests" basis		252,000
Cumulative effect of the change to the equity method of accounting for associated corporations		4,418,000
Adjusted balance, beginning of year	$115,232,000	105,822,000
Net income for the year	23,315,000	18,187,000
	138,547,000	124,009,000
Dividends paid by:		
Sybron Corporation:		
Preferred stock	2,971,000	2,899,000
Common stock	6,206,000	5,828,000
Companies acquired prior to acquisition	11,000	50,000
Total	9,188,000	8,777,000
Balance at end of year	$129,359,000	$115,232,000

Statement of Changes in Additional Paid-in Capital

Sybron Corporation and Subsidiaries

Year Ended December 31,	1972	1971
Balance at beginning of year:		
As previously reported		$ 10,779,000
Adjustments relative to companies acquired on a "pooling of interests" basis		(208,000)
Adjusted balance, beginning of year	$ 12,371,000	10,571,000
Excess of proceeds over par value of common and preferred shares issued under stock options	1,127,000	649,000
Excess of principal amount of debentures over the par value of shares issued in conversion	235,000	1,151,000
Balance at end of year	$ 13,733,000	$ 12,371,000

The information on pages 26 through 30 is an integral part of these statements.

Statement of Changes in Financial Position

Sybron Corporation and Subsidiaries

Year Ended December 31,	1972	1971
Source of working capital:		
Income before extraordinary items	$19,807,000	$18,187,000
Add (deduct):		
Depreciation charged to income	6,799,000	6,394,000
Equity in undistributed earnings of affiliated companies	(1,221,000)	(723,000)
Amortization of cost in excess of underlying net asset value of acquired companies	55,000	2,000
Working capital provided from operations	25,440,000	23,860,000
Issuance of long-term indebtedness	15,000,000	9,090,000
Gain from the sale of Patterson Dental Co.	6,518,000	
Capital changes:		
Proceeds from exercise of options	1,240,000	739,000
Conversion of subordinated debentures	260,000	1,233,000
Increase (decrease) in non-current liabilities	(60,000)	1,800,000
Total	48,398,000	36,722,000
Use of working capital:		
Capital expenditures, including capital assets of companies acquired for cash (1972—$1,894,000, 1971—$313,000) and net of retirements (1972—$2,721,000; 1971—$655,000)	9,280,000	7,812,000
Repayment of debt including conversion of subordinated debentures into stock	14,879,000	12,975,000
Cash dividends paid	9,188,000	8,777,000
Increase in other non-current assets	4,855,000	138,000
Loss on discontinuance of Hard Division	3,010,000	
Total	41,212,000	29,702,000
Increase in working capital	$ 7,186,000	$ 7,020,000
Analysis of changes in working capital:		
Increase (decrease) in current assets:		
Cash and marketable securities	$ 6,009,000	$ (783,000)
Receivables	2,390,000	(102,000)
Inventories	(1,615,000)	3,031,000
Other current assets	1,774,000	(68,000)
Total	8,558,000	2,078,000
Increase (decrease) in current liabilities:		
Short-term debt	(7,609,000)	(2,272,000)
Accounts payable and accrued liabilities	7,187,000	(1,459,000)
Other current liabilities	1,794,000	(1,211,000)
Total	1,372,000	(4,942,000)
Increase in working capital	$ 7,186,000	$ 7,020,000
Current ratio	2.4 to 1	2.4 to 1

The information on pages 26 through 30 is an integral part of these statements.

Opinion of Independent Accountants

To the Shareholders and Board of Directors of Sybron Corporation

We have examined the consolidated financial statements of Sybron Corporation appearing on pages 22 through 25. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In compliance with Accounting Principles Board requirements, the company, in 1972, changed its method of accounting for the investment in its 45 percent owned affiliate in Japan, as described under "Consolidation" in the Notes to Financial Statements.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Sybron Corporation and its subsidiaries at December 31, 1972 and 1971, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, referred to in the preceding paragraph.

Price Waterhouse & Co

1200 Midtown Tower
Rochester, New York
February 13, 1973

Summary of Accounting Practices

The accounting practices of the Corporation are as follows:

Consolidation

The financial statements include the accounts of the Corporation and its subsidiaries. Intercompany balances, sales and profits are eliminated in the consolidated financial statements.

Affiliated Companies

The Corporation records the investment in affiliates (in excess of 20 percent ownership) on the equity basis and includes in income its equity in the net income of the affiliates.

Translation of Foreign Currencies

Financial statements of subsidiaries outside the United States are translated into U.S. dollars as follows:

Assets and liabilities, other than property, plant and equipment and related depreciation allowances, are translated at approximate year-end exchange rates. Property, plant and equipment and related depreciation allowances are translated at exchange rates in effect at the times such assets were acquired. Net translation gains are deferred in the consolidated accounts against possible future currency exchange fluctuations to the extent deemed necessary.

Income statement amounts are translated at approximate average rates in effect during the year except for depreciation charges which are translated at exchange rates applicable to the cost of the related assets.

Inventories

Inventories are valued at cost (standard costs approximating actual, first-in, first-out, and at one division on a last-in, first-out basis) and are not in excess of market.

Cost in Excess of Underlying Net Asset Value of Acquired Companies

Cost in excess of underlying net asset value of companies acquired prior to 1971 is not being amortized because, in the opinion of the Corporation, it has continuing value. In accordance with Accounting Principles Board requirements the Corporation amortizes cost in excess of underlying net asset value of companies acquired subsequent to 1970 over periods not exceeding forty years.

Depreciation

The cost of property, plant and equipment is generally depreciated on the straight-line method based on the estimated lives of the assets.

Income Taxes

Income taxes are provided on income for financial statement reporting purposes at rates prevailing during the period including estimated United States income taxes with respect to earnings of foreign subsidiaries which are expected to be repatriated. Deferred income taxes resulting from timing differences between financial statement reporting and tax reporting are appropriately classified in the Statement of Financial Position.

Investment tax credits are accounted for on the "flow through" method and benefits from such credits are realized in the year such credits are taken for income tax purposes.

Pensions

The Corporation and its subsidiaries have various pension plans covering eligible employees. The past service liabilities of these plans are being charged to income over varying periods not exceeding forty years. Pension liabilities are funded by periodic payments to pension fund trustees except for certain foreign subsidiary pension plans. Charges to income are determined from annual actuarial valuations of the pension plans.

Notes to Financial Statements

Sybron Corporation and Subsidiaries

Consolidation

During 1972 the Corporation acquired four companies in exchange for 138,434 shares of common stock. Such acquisitions have been accounted for on a "pooling of interests" basis. The financial statements for 1971 have been restated to include these companies, with net sales and net income for that full year being increased by $3,794,000 and $199,000, respectively. The 1972 operations of these companies reported in the Statement of Income include net sales of $731,000 and net income of $9,000 attributable to the partial periods of the year prior to the acquisition dates.

The Corporation also acquired for cash three European companies and the remainder of Tanatex Chemical (Holland) N.V., previously 50 percent owned by the Corporation. These acquisitions were accounted for by the purchase method and the results of operations are included in the Statement of Income from the respective dates of acquisition. The total purchase prices aggregated $4,720,000 and exceeded the underlying net assets of the companies acquired at the acquisition dates by $3,446,000 which amount is being amortized over a 40-year period. Amortization of total cost in excess of underlying net asset value of companies acquired after 1970 charged to income in 1972 and 1971 amounted to $55,000 and $2,000 respectively.

The caption "Investments in associated corporations" in the Statement of Financial Position reflects the Corporation's interest in several 50 percent owned foreign companies and a 45 percent owned Japanese affiliate, Shinko-Pfaudler Company, Ltd., at underlying net asset value. To comply with recent Accounting Principles Board requirements, the Corporation's investment in Shinko-Pfaudler has been changed to the equity method of accounting from the cost method. As a result of this change in accounting method, the Statement of Income for 1971 has been restated to include $515,000 of additional income representing the Corporation's equity in the undistributed net income of Shinko-Pfaudler for the year ended September 30, 1971. In addition, the Statement of Financial Position at December 31, 1971 has been restated to include in "Investments in associated corporations" an additional $4,933,000 representing the Corporation's equity in the cumulative

undistributed net income of Shinko-Pfaudler at September 30, 1971.

Following a final judgment by the United States District Court for the Eastern District of Pennsylvania in August 1971, the Corporation was required to divest itself of Patterson Dental Co. During 1972 the Corporation sold Patterson for $20,000,000 in cash, realizing an extraordinary gain on the sale of $6,518,000 after provision for income taxes of $2,500,000. The Corporation also discontinued the operations of its Hard division in 1972 and realized an extraordinary charge for losses and expenses in connection therewith (including the write-off of $1,185,000 cost in excess of the underlying net assets acquired) of $3,010,000 after income taxes of $1,950,000. The operations applicable to the sold and discontinued operations have been classified as "Income from discontinued operations" in the Statement of Income for 1972 and 1971 in order to reflect the continuing operations of the Corporation separately. Accordingly, the following amounts formerly included in the accounts indicated have been reclassified to "Income from discontinued operations" for the year ended December 31, 1971:

Net sales		$32,304,000
Other revenues		1,086,000
		33,390,000
Costs and expenses	32,174,000	
Taxes on income	617,000	32,791,000
Income from discontinued operations		$ 599,000

The effects of foreign currency changes in 1972 resulted in net translation gains of $378,000. Of this amount, $139,000 was deferred in 1972 for a cumulative deferred net gain of $700,000 at December 31, 1972 against possible future currency exchange fluctuations. This deferred net gain is included in the caption "Other non-current liabilities" in the Statement of Financial Position. The remaining amount of 1972 net translation gains of $239,000 is included in "Miscellaneous income (net)" in the Statement of Income for the year.

The Corporation anticipates no adverse translation effects with respect to the announced devaluation of the U.S. dollar and other foreign currency fluctuations occurring early in 1973.

Income before extraordinary items for 1972 and 1971 includes $10,269,000 and $8,201,000, respectively, applicable to operations located outside the United States. The Statement of Financial Position includes the following net assets applicable to operations located outside the United States:

	1972	1971
Net current assets	$38,052,000	$32,302,000
Properties (net) and other non-current assets	59,138,000	35,033,000
	97,190,000	67,335,000
Less—long-term debt and other non-current liabilities	31,101,000	15,365,000
Net Assets	$66,089,000	$51,970,000

Accumulated undistributed earnings of foreign subsidiaries of approximately $30,000,000 at December 31, 1972 have been reinvested in those businesses.

Accounts, Notes and Installment Receivables

Total receivables consisted of:

	1972	1971
Accounts receivable	$80,685,000	$71,945,000
Notes receivable and installment contracts	1,802,000	10,233,000
	82,487,000	82,178,000
Less—deferred income on installment contracts and other receivables	215,000	2,421,000
Allowance for doubtful accounts	1,795,000	1,670,000
	$80,477,000	$78,087,000

At December 31, 1971 receivables due after one year amounted to $6,374,000 and at December 31, 1972 were nominal. This reduction, together with the reductions in notes receivable and installment contracts and deferred income on installment contracts and other receivables, results from the sale of Patterson Dental Co. in 1972.

Inventories

Major classifications of inventory are as follows:

	1972	1971
Raw materials and supplies	$ 31,032,000	$ 30,080,000
Work in process including finished and semi-finished parts	51,219,000	49,709,000
Finished products	19,528,000	23,605,000
Total	$101,779,000	$103,394,000

Inventories at one division of the Corporation are carried on the last-in, first-out basis. At December 31, 1972 and 1971 these inventories are valued at $2,755,000 and $2,517,000, respectively, less than the valuation on a current cost basis.

Property, Plant and Equipment

The major classifications of property, plant and equipment are as follows:

	1972	1971
Land and land improvements	$ 5,013,000	$ 4,883,000
Buildings and building improvements	49,193,000	47,895,000
Machinery and equipment	78,637,000	73,534,000
Construction in progress	1,910,000	1,036,000
	134,753,000	127,348,000
Less—allowance for depreciation	66,606,000	61,682,000
Total	$ 68,147,000	$ 65,666,000

Long-Term Debt

The long-term debt of the Corporation and its subsidiaries consisted of:

	1972	1971
Notes payable to banks:		
Due 1972–1974		$ 9,167,000
Due 1974–1977		3,000,000
Due 1974–1976	$ 4,280,000	4,765,000
Amounts payable to banks due 1974 to 1975	5,253,000	6,545,000
5½% notes due 1973, payable in annual installments of $1,000,000	1,000,000	2,000,000
4½% convertible subordinated debentures due 1980, convertible into common stock at $17.27 a share	403,000	509,000
4½% convertible subordinated debentures due 1987, convertible into preferred stock at $63.00 a share, sinking fund requirements of $58,000 in 1982 and $800,000 annually thereafter to 1986	7,446,000	7,600,000
8% sinking fund debentures due 1987, sinking fund requirements of $600,000 annually from 1975 to 1982 and $1,950,000 annually thereafter to 1986	15,000,000	
7½% sinking fund debentures due 1994, sinking fund requirements of $1,250,000 annually from 1977 to 1993	25,000,000	25,000,000
Other long-term debt	2,768,000	4,158,000
	61,150,000	62,744,000
Less—payments due within one year classified as short-term debt	3,690,000	5,405,000
Total	$57,460,000	$57,339,000

The notes payable to banks due 1974–1976 are subject to the terms of revolving credit agreements between the Corporation and two foreign banks which provide for access to the equivalent of approximately $4,800,000 in Swiss francs and German marks. Commitment fees on the unused balances are at ½% with interest at minimum commercial rates.

Amounts payable to banks due 1974–1975 are subject to the terms of long-term overdraft facility agreements with two banks in the United Kingdom. A fee of ½% per year is payable on the unused portion of the total amount available, approximately $7,000,000, with interest at 1 to 1¼% per year over the banks' base lending rates.

Under certain of the long-term debt agreements there are provisions for restrictions, including restrictions on the payment of cash dividends. At December 31, 1972, under the terms of the most restrictive agreement, $34,000,000 of retained earnings were available for cash dividends.

Long-term debt payment requirements over the next five years are: 1973—$3,690,000; 1974—$3,531,000; 1975—$3,370,000; 1976—$3,464,000; 1977—$1,884,000.

Capital Stock

Changes in the number of preferred and common shares outstanding during 1972 and 1971 were as follows:

	1972	1971
Preferred Stock:		
Balance at beginning of year	1,216,351	1,196,553
Shares issued for:		
Stock options	26,206	1,187
Conversion of debentures due 1987	2,449	18,823
Conversion to common stock		(212)
Balance at end of year	1,245,006	1,216,351
Common Stock:		
As previously reported		9,848,139
Additional shares issued for companies acquired on a "pooling of interests" basis		138,434
Adjusted balance, beginning of year	10,023,633	9,986,573
Shares issued for:		
Stock options	3,007	33,947
Conversion of debentures due 1980	6,132	2,775
Conversion of preferred stock		338
Balance at end of year	10,032,772	10,023,633

The preferred stock provides for cumulative dividends at the annual rate of $2.40 per share payable quarterly on January 1, April 1, July 1 and October 1. Each share of preferred stock is convertible into 1.6 common shares and is redeemable at the option of the Corporation after November 1, 1973 at $70.00 per share plus accrued dividends. In the case of voluntary liquidation of the Corporation, each holder of preferred stock is entitled to $70.00 per share, and in the case of involuntary liquidation, to $22.00 per share.

At December 31, 1972 there were options outstanding covering 124,628 shares of the common stock of the Corporation which were granted under the terms of the 1966 Stock Option Plan approved by the shareholders in April 1966. The term of the options could not exceed five years. Options are exercisable to the extent of one-fourth of the total granted each year beginning one year after the date of grant at option prices not less than 100% of the fair market value on the date of grant. No further options can be granted under this plan.

The remaining outstanding stock option obligations assumed from the merger of Taylor Instrument Companies into the Corporation are exercisable into preferred stock and exercise rights will expire in 1973.

A Stock Option Plan was approved by the shareholders on April 23, 1970. Under the terms of the Plan, options covering 250,000 shares of the common stock of the Corporation may be granted to key employees of the Corporation and its subsidiaries at any time during a five-year period ending April 22, 1975. The purchase price may not be less than the fair market value of the shares subject to the option on the date the option is granted and the term of the options may not exceed five years. Options are not exercisable until after the first year and will then be exercisable subject to the terms of the stock option agreement by which they are granted, in whole or, from time to time, in part. At December 31, 1972 a total of 150,725 unissued common shares were reserved for future grants under this plan.

A summary of the changes during 1972 in outstanding stock options for preferred and common stock is as follows:

	Preferred Stock	Common Stock
Granted and unissued at beginning of year	28,778	229,160
Granted at $33.31 per share		15,350
Cancelled	(1,736)	(17,600)
Exercised:		
Preferred at $16.17 to $45.25 per share	(26,206)	
Common at $27.75 to $30.88 per share		(3,007)
Granted and unissued at end of year (Preferred at $23.41 to $64.00 per share; Common at $24.00 to $38.56 per share)	836	223,903

In addition to the preferred and common shares reserved for the above options, there were 118,190 preferred and 23,335 common shares reserved at December 31, 1972 for the conversion of the remaining outstanding 4½% subordinated debentures due 1987 and 1980, respectively. There were also 2,182,451 common shares reserved at December 31, 1972 for the conversion of preferred stock, including conversion of preferred stock reserved for stock options and bond conversions indicated above. The dilution effect on net income per share assuming full conversion of all debentures and exercise of outstanding stock options would be to decrease net income per share by $.02 in 1972 and $.01 in 1971.

Other Matters

Taxes on income on the Statement of Income include the following:

	1972	1971
Federal	$ 8,650,000	$ 8,803,000
State	1,050,000	828,000
Foreign	6,900,000	5,800,000
	$16,600,000	$15,431,000

Federal income taxes for 1972 and 1971 have been reduced by $300,000 and $150,000, respectively, of investment tax credits. Deferred income taxes, arising primarily from the use of accelerated methods of depreciation for income tax purposes, totaled $331,000 in 1972 and $154,000 in 1971.

The Corporation has certain deferred compensation agreements. In connection with these agreements, the Corporation holds 15,238 shares of its common stock at December 31, 1972 at a cost of $311,000 which amount is included in "Other non-current assets" in the Statement of Financial Position. The liabilities with respect thereto are included in "Other non-current liabilities."

Total pension costs included in charges to income were $6,322,000 in 1972 and $5,841,000 in 1971. The actuarially computed value of vested benefits for certain of the pension plans exceeded the total applicable assets by approximately $1,600,000. The total actuarially computed past service liability of the pension plans amounts to approximately $19,000,000.

Ten-Year Review

Sybron Corporation and Subsidiaries

(In $000's—see Note 1)	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Net Sales	$356,314	$326,884	$309,079	$285,000	$251,506	$249,560	$228,016	$194,673	$168,123	$152,936
Income from Continuing Operations	19,785	17,588	17,275	17,387	14,995	15,367	14,189	11,054	9,030	7,305
Income from Discontinued Operations	22	599	689	1,070	1,055	587	475	624	602	453
Income before Extraordinary Items	19,807	18,187	17,964	18,457	16,050	15,954	14,664	11,678	9,632	7,758
Extraordinary Items	3,508		(3,500)						275	
Net Income	23,315	18,187	14,464	18,457	16,050	15,954	14,664	11,678	9,907	7,758
Depreciation Charges	6,799	6,394	6,050	5,452	4,898	4,576	4,245	3,861	3,674	3,370
Capital Expenditures	10,107	8,154	9,692	12,779	12,427	9,430	6,743	6,454	6,516	4,906
Total Cash Dividends Paid	9,188	8,777	8,667	8,518	6,818	5,339	4,493	3,923	3,070	2,827
Working Capital	123,756	116,570	109,550	100,461	76,245	102,520	82,755	74,160	69,493	59,816
Total Shareholders' Equity	173,154	157,527	146,145	139,780	128,767	115,345	100,954	87,352	78,714	71,199
Income per Share (Note 2)										
Continuing Operations	1.65	1.47	1.44	1.47	1.28	1.35	1.29	1.04	.86	.73
Discontinued Operations		.05	.07	.09	.09	.05	.04	.06	.06	.05
Income before Extraordinary Items	1.65	1.52	1.51	1.56	1.37	1.40	1.33	1.10	.92	.78
Extraordinary Items	.29		(.35)						.03	
Net Income	1.94	1.52	1.16	1.56	1.37	1.40	1.33	1.10	.95	.78
Book Value per Share of Common Stock	14.53	13.05	12.00	11.42	10.37	9.38	8.32	7.11	6.26	5.21
Average Number of Shares Outstanding (000's) (Note 2)	12,005	11,931	11,877	11,823	11,687	11,370	10,989	10,611	10,470	9,988

Note 1. Information for the years 1968-1971 has been restated on a comparable basis to 1972. Information for 1967 and prior years is as reported in 1971 adjusted to reflect the separate classification of the discontinued operations of Patterson Dental Co. and Hard division and the restatement for inclusion of the undistributed net income of Shinko-Pfaudler Company, Ltd. All per share amounts and average number of shares outstanding have been restated to reflect all prior stock splits and stock dividends.

Note 2. Income per share amounts since 1969 are computed on the basis of average common and common equivalent shares outstanding during the respective years except for 1970. Income per share for 1970 is computed on the basis of net income after preferred stock dividend requirements, divided by the average number of common and common equivalent shares outstanding during the year (9,966,106). Income per share for 1968 and prior years is on the basis of average shares including the preferred stock on a converted basis.

General Management Organization

Chemical Group

Peter J. Scott
Group Vice President–Chemical

North America

Gamlen Chemical Company
R. Allan Gamlen, President

Gamlen Chemical Company (Canada) Ltd.
Peter N. Gaidis, Acting Manager

Ionac Chemical Company
Dr. Richard M. Klein, President

Jersey State Chemical Co.
Jack R. Siegelbaum, President

Tanatex Chemical Company
Dr. Sidney M. Weinstein, President

Europe

Gamlen Chemical Company
W. Seymour Roques,
Vice President, European Zone

Gamlen Chemie G.m.b.H.
Wilhelm Heine, Manager

Gamlen Chemie (Nederland) N.V.
Simon Lemsom, Managing Director

Gamlen Chemical Company (U.K.) Limited
G. F. Russell, Managing Director

Gamlen Naintré S.A.
Eric Zahrai, President

Sybron Italia S.p.A.
Resindion Division
Dr. Bruno Petrini,
General Manager

Gamlen Chemical Division
Eber Bianchi, Managing Director

Tanatex Chemical (Holland) N.V.
Henry L. Barentz, President

Asia

Gamlen Chemical Company
Lewis M. Ludlow,
Vice President, Far East Zone

Gamlen Chemical Co. (Australasia) Pty. Ltd.
John M. Dunn, Managing Director

Gamlen (Japan) Limited
Richard Coleman, General Manager

Gamlen Chemical Co. (N.Z.) Limited
Robert R. James, General Manager

Gamlen (South Africa) Pty. Ltd.
John A. Vorster, Managing Director

Latin America

Gamlen Quimica S.A.I.C.
J. A. Fernandez Alvarez, President

Health Products Group

Robert M. Kerr, Jr.
Group Vice President–
Health Products

North America

Castle Company
William D. McGrath, President

Heritage Laboratories
Roy J. Conway, Jr., President

Kerr Manufacturing Company
Russell E. Nelson, President

Liebel-Flarsheim Company
John L. Kruetzkamp, President

Ritter Company
Joseph Stemler, President

United Dental Supply Corporation
A. LeRoy Brown, General Manager

Europe

Karl Baisch K.G.
Dr. Hubert Lenzen, General Manager

Drayton Castle Limited
William Palmquist, General Manager

Ritter A.G.
Gustav Kircher, General Manager

Sybron Italia S.p.A.
Kerr Europe Division
Boyd W. Kuieck, President

Latin America

Ritter de Mexico, S.A. de C.V.
Thomas C. Bailey, General Manager

Instrument Group

Marc E. Porter
Group Vice President–Instrument

North America

Taylor Instrument Companies of Canada Limited
Stanley W. Roe, President

Taylor Instrument Consumer Products Division
Leo M. Storey, Jr., President

Taylor Instrument of Ohio
Russell C. Brostedt, President

Taylor Instrument Process Control Division
William M. Walters, President

Europe

Taylor Instrument Companies (Europe) Limited
Ronald Marshall, Managing Director

Sybron Italia S.p.A.
Taylor Instrument Division
H. Fredrikus Brouwer,
General Manager

Taylor Instrument (Belgium) S.A.
Jack Taylor, Manager

Taylor Instrument (France) S.A.R.L.
Marcel Godon, General Manager

Taylor Instrument G.m.b.H.
Werner Thomas, Manager

Taylor Instruments (Nederland)
M.G. Green, Manager

Taylor Servomex Limited
Dr. Paul F. Pagerey,
Managing Director

Latin America

Taylor Instrument C.A.
Richard H. Miles,
President and General Manager

Taylor Instrument (Mexico) S.A. de C.V.
Salvador Martinez, President

Asia

Taylor Instrument Companies of Australia Pty. Limited
William E. Kirkby, Managing Director

Taylor Instrument Company (India) Ltd.
Geoffrey A. Mead, General Manager

Taylor Instrument Companies of New Zealand Limited
E. S. Lund, Director

Process Equipment Group

P. Stanley Collier, Jr.
Group Vice President–
Process Equipment

North America

AeroChem Research Laboratories, Inc.
Dr. Hartwell F. Calcote, President

Barnstead Company
Henry H. Hadley, President

Erie Scientific Company
H. James Rosenberg, President

Leopold Company
Mark L. Stuppy, President

Nalge Company
Emanuel Goldberg, President

The Permutit Company
Harley R. Derleth, President

The Pfaudler Co.
Jack M. Hultz, President

Thermolyne Corporation
Burton S. Payne, President

Europe

Henry Balfour and Company Limited
William Wood, Managing Director

Pfaudler-Werke A.G.
Alfred Schwab, President

Latin America

Pfaudler Permutit, S.A. de C.V.
Victor Viglino, President

Sybron Interamericana Indústria e Comércio Ltda.
Carlos Ljungmann, General Manager

Sybron Interamericana S.A.I.C.
Gino Cristallini, Manager

Asia

Shinko-Pfaudler Company, Ltd.
Tsuneo Ichikawa, President

Corporate products, including process equipment, chemicals and health products, are also marketed in the Asian area by:

Sybron Asia Limited
George Warren, Managing Director

Sybron (Australia) Pty. Limited
Alfred O. Ginkel, Managing Director

Officers

Donald A. Gaudion
Chairman of the Board and
Chief Executive Officer

William G. vonBerg
President

Elwood W. Geisinger
Vice President—International

Stephen R. Hardis
Vice President—Finance

Curtis W. Howard
Vice President—Industrial Relations

James M. Kieffer
Vice President, Secretary and Counsel

Clifford L. Sherran
Vice President—Human Resources

P. Stanley Collier, Jr.
Group Vice President—Process Equipment

Robert M. Kerr, Jr.
Group Vice President—Health Products

Marc E. Porter
Group Vice President—Instrument

Peter J. Scott
Group Vice President—Chemical

Lawrence R. DeVitis
Vice President—European Area

Alfred O. Ginkel
Area Manager—Asia Area

Robert H. Stegemann
Controller

John G. Brummer
Assistant Secretary

Theodore B. Roessel
Assistant Secretary

Joel E. Kocen
Assistant Controller

John M. Mitchell
Assistant Controller

Directors

Mercer Brugler
Retired, Consultant and Former
Vice Chairman of the Corporation

Wilmot R. Craig
President and Chief Executive Officer
Lincoln First Banks Inc.

J. Wallace Ely
President
Security Trust Company

Sherman Farnham
Partner
Nixon, Hargrave, Devans & Doyle

Donald A. Gaudion
Chairman of the Board

Fred H. Gowen
Principal
MacKay-Shields, Inc.

Alexander D. Hargrave
President
Lincoln First Bank of Rochester

Horace J. McAfee
Partner
Simpson Thacher & Bartlett

Marc E. Porter
Group Vice President—Instrument

Howard L. Richardson
Management Consultant

F. Ritter Shumway
Honorary Chairman of the Board

Robert L. Sproull
President
University of Rochester

Hulbert W. Tripp
Investments

William G. vonBerg
President

Corporate Offices:

1100 Midtown Tower
Rochester, New York 14604

Annual Meeting:

Our Annual Meeting of Shareholders will be held in Rochester, New York, on Thursday, April 26, 1973. Official notice and other information with respect to this meeting will be mailed to shareholders.

Transfer Agents:

Common Stock:

Lincoln First Bank of Rochester
Rochester, New York

Chemical Bank
New York, New York

Preferred Stock:

Lincoln First Bank of Rochester
Rochester, New York

The Bank of New York
New York, New York

Registrars:

Security Trust Company
Rochester, New York

Morgan Guaranty Trust Company
of New York
New York, New York

Trustee, Paying and Conversion Agent for Convertible Debentures Due 1980:
Chemical Bank
New York, New York

Trustee, Paying and Conversion Agent for Convertible Debentures Due 1987:

First National City Bank
New York, New York

Trustee and Paying Agent for 7½% Sinking Fund Debentures Due 1994:

Morgan Guaranty Trust Company
of New York
New York, New York

Trustee and Paying Agent for 8% Sinking Fund Debentures Due 1987:

Morgan Guaranty Trust Company
of New York
New York, New York

Shares Traded:

New York Stock Exchange
(Ticker Symbol "SYB")

For More Information on Sybron Corporation, Write:

Secretary
Sybron Corporation
1100 Midtown Tower
Rochester, New York 14604


SYBRON
CORPORATION

AR23

NEWS RELEASE

FOR RELEASE

For Immediate Release

FOR ADDITIONAL INFORMATION CONTACT:

B. H. Dumbleton
Director of Communications

or

Thomas S. Williams
Darcy Communications
A Division of Hutchins/Darcy Inc.
400 Midtown Tower
Rochester, New York 14604
(716) 546-6480

SYBRON REPORTS RECORD SALES AND EARNINGS

Rochester, New York, February 17, 1972 -- Sybron Corporation (NYSE) today reported record sales, earnings and incoming orders for 1971.

Net sales in 1971 were $355,394,000, up from $338,239,000 in 1970. Income from operations was $17,473,000, or $1.48 a share, compared to $16,421,000, or $1.38 per share in 1970. In 1970, an after-tax extraordinary charge of $3.5 million reduced net income in that year to $12,921,000 or $1.02 per share.

Sybron reported that incoming orders in 1971 were $350,721,000, compared to $340,571,000 in 1970. Backlog was $75,895,000 at year end 1971 and $83,542,000 at year end 1970.

Commenting on 1971 operations, Donald A. Gaudion, chairman and chief executive, and William G. vonBerg, president, said, "We are pleased that we

(more)

are able to report these records, although we still feel that the rate of our earnings improvement last year was far below Sybron's potential. Unfortunately, many of our operational gains were discounted by a weak U. S. economy and continuing inflation. We share, however, in the consensus that the U. S. recession is bottoming out and we are confident that Sybron will participate fully when a general economic recovery gets under way. We expect that recovery to be gradual this year with a strong improvement in the U. S. economy in 1973.

"We do not look for an immediate change in our markets. Most areas of our health business in 1971 were strong and helped our overall performance. There was a modest improvement in our U. S. process instrumentation business during the year, while process equipment orders in the United States remained at a low level. Our specialty chemicals business was mixed with textile chemical sales strong and marine chemicals below expectations."

"Our overseas business was also mixed. While orders were off in some areas, particularly in those divisions serving industrial markets, large backlogs helped many of our operations to achieve record performances during the year."

For comparative purposes, results of operations in 1970 have been restated to include companies acquired in 1971 on a "pooling of interests" basis. Earnings per share are computed by dividing net income (after deducting dividends on preferred stock) by the average number of common and applicable common equivalent shares outstanding during the respective periods.

Sybron is a diversified company with more than 60 divisions and subsidiaries in 18 countries around the world. The company manufacturers instrumentation, equipment, chemicals and supplies for the process industries, laboratories and professional health market, for water and waste treatment and other applications.

###

Financial Highlights
Sybron Corporation and Subsidiaries

	1971	1970[1]
Net Sales	$355,394,000	$338,239,000
Income before taxes and extraordinary item	33,373,000	31,484,000
Taxes on income	15,900,000	15,063,000
Income before extraordinary item	17,473,000	16,421,000
Extraordinary item: Expenses and losses incurred or anticipated in connection with the discontinuance of hospital materials-handling system operations in Europe, after reduction for income taxes of $3,400,000		3,500,000
Net Income	$ 17,473,000	$ 12,921,000
Income per share:		
Income before extraordinary item	$1.48	$1.38
Extraordinary item		.36
Net Income[2]	$1.48	$1.02

Notes:

1. Restated to include the results of operations of companies acquired in 1971 on a "pooling of interests" basis.

2. Income per share amounts are computed by dividing net income and income before extraordinary item (after deducting dividends on preferred stock) by the average number of common and applicable common equivalent shares outstanding during the respective years.